

# Exhibit 2

Callan Associates Inc. Responses to the DOL and SEC Recommended Questions for Selecting and Monitoring Pension Consultants: Tips for Plan Fiduciaries (June 21, 2005)

**Callan Associates Inc. Responses to  
the DOL and SEC Recommended Questions for Selecting and  
Monitoring Pension Consultants: Tips for Plan Fiduciaries**

- 1. Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?**

Yes. Our Form ADV, Part II is offered to clients at the start of our relationship, annually, and upon request by clients and prospects. Attachment 1 provides a complete description of the disclosures we provide.

- 2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, describe those relationships.**

Callan provides consulting services to money managers for a fee. Attachment 2 provides details on the products and services Callan provides to money managers. Callan has no ownership interest in or affiliate relationships with money managers and has no related companies, either parent or subsidiary.

- 3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?**

Callan receives payments from 200+ money managers in exchange for the consulting services we provide to them. Callan never receives payments from managers for recommending them to fund sponsors.

Callan's manager client list is available to fund sponsor prospects upon request and is provided to fund sponsor clients routinely and more often upon request. Many of these money managers are recommended, considered for recommendation, or otherwise mentioned to a plan for consideration during the normal course of consulting to a plan, in the context of manager searches and performance measurement.

As a very strictly followed policy, Callan does not consider in any way an investment manager's business relationships with Callan, or lack thereof, in performing evaluations for or making recommendations to its clients.

Callan's approximate percentage revenue breakdown is as follows:

Fund Sponsor Clients	60%
Investment Manager Clients	30%
Independent Adviser Clients	10%

Below is a snapshot of average 2004 Callan revenues from the top 10% of our fund sponsor and money manager clients and as well as the median 2004 billings for those clients.

	Billings per Client	
	<u>Fund Sponsor</u>	<u>Money Manager</u>
Top 10% Average Billings	\$501,749	\$223,316
Median Billing	\$78,750	\$54,000

**4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?**

Yes. Attachment 3 provides a list of the policies and procedures in place for over a decade to address conflicts of interest. These policies and procedures prevent any payments from, or relationships with, managers from being considered when we provide advice to our clients. Callan's Code of Ethical Responsibility, referenced in Attachment 3 is also provided in Attachment 4.

Callan's Form ADV, Part II, provided upon request, also outlines the aforementioned policies and practices.

**5. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?**

We bill all of our clients or their representatives in hard dollars. All clients receive regular invoices from Callan for services billed and payments made to allow them to track their payments. Clients are advised if their invoice is overpaid and Callan will promptly reimburse any overpayment.

In addition to paying by cash, check or wire transfer, our fund sponsor clients have the option of paying their consulting fees using a broker of their choosing, including our preferred broker, BNY Brokerage. Callan receives the same dollar value payment for services whether or not any type of brokerage arrangement is involved. Fund sponsors can enter into any type of brokerage arrangement they wish. If the sponsor chooses to enter into a relationship with BNY or any other broker for the payment of Callan's fees, it should be noted that Callan is not a party to this relationship.

**6. If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?**

As mentioned in the answer to Question 5 above, should a client choose to use a broker to pay for Callan's services, they will enter into an arrangement with the broker of their choosing. Callan is not a party to this arrangement and has no knowledge of the details of the relationship between the client and the broker.

As any full service consulting firm would, Callan will provide advice to our clients regarding commission recapture services as part of our regular ongoing consulting services; however, this advice has nothing to do with how the client pays Callan's fees.

**7. Do you have any arrangement with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?**

No. We do not have any arrangement with any broker-dealers under which we will benefit if money managers place trades for their clients with such broker-dealers.

We routinely inform clients that in October 1998, Callan's then affiliate, Alpha Management Inc., a registered broker-dealer, was acquired by BNY Brokerage, Inc. According to the terms of the sale, BNY agreed to pay Callan fixed payments each year through 2006. These payments have been and will continue to be of equal dollar value. The extent of the brokerage conducted through BNY by Callan clients does not affect the size or duration of these payments.

Under the terms of the Services Agreement entered into between Callan and BNY Brokerage in connection with that transaction, Callan is obligated to advise their fund sponsor clients that BNY Brokerage is Callan's "preferred broker" for paying Callan's fees through commissions. However, Callan's fund sponsor clients are free to conduct brokerage elsewhere and Callan receives the same dollar value payment for services whether or not any type of brokerage arrangement is involved.

**8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?**

Yes.

**9. Does Callan consider itself a fiduciary under ERISA with respect to the recommendations we provide the plan?**

Yes.

**10. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?**

The majority, if not all, of Callan's fund sponsor clients use Callan's money manager clients. This stands to reason given the vast number, size and market breadth of both our fund sponsor and money manager client bases.

Callan is one of the largest investment consulting firms servicing fund sponsors, financial intermediaries and investment managers. Generally, our 200+ money manager clients tend to be larger, multi-product organizations who manage the majority of the institutional assets in the industry. In total, as of year-end 2004, our manager clients managed approximately 74% of total U.S. industry assets as reported by *Pensions & Investments*.

Furthermore, Callan's research reveals that this percentage is indicative of fund sponsor search activity and manager utilization industry-wide (Attachments 5 through 7). In other words, it is highly likely that the client base of any other consultant in the industry would also use at least one money manager who is a Callan client.

With respect to brokerage services, in 2004, 5% of Callan's fund sponsor clients paid their Callan consulting fees using BNY's brokerage services.